



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 2012

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.

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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

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2012 is as follows:

- Total turnover was approximately HK\$1,835.776 million (2011: approximately HK\$1,463.711 million), representing a significant increase of 25.42% compared to the previous year. The rise in the turnover was driven by the sales from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and the increase demand for the provision of general hospital services in the PRC .
- Gross profit was approximately HK\$235.213 million (2011: approximately HK\$189.590 million), rising about 24.06% compared to the previous year.
- Excluding the gain on disposal of subsidiaries, the operating profit approximately HK\$95.019 million (2011: operating profit approximately HK\$78.985 million, excluding the loss on early redemption of promissory note and the gain on disposal of subsidiaries), a 20.30% increase.
- Net profit attributable to owners of the Company was approximately HK\$49.666 million (2011: approximately HK\$31.456 million), representing about over 50% increase as compared to the previous year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: Nil).

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 2012 together with the audited comparative figures for the year ended 31 March 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	<i>Note</i>	2012 HK\$’000	2011 <i>HK\$’000</i>
Turnover	5	1,835,776	1,463,711
Cost of sales		<u>(1,600,563)</u>	<u>(1,274,121)</u>
Gross profit		235,213	189,590
Other revenue	5	8,689	10,611
Other income	6	3,666	733
Selling and distribution expenses		(78,500)	(60,498)
Administrative expenses		(74,049)	(61,451)
Loss on early redemption of promissory note		–	(9,681)
Gain on disposal of subsidiaries		<u>611</u>	<u>955</u>
Profit from operations	6	95,630	70,259
Finance costs	7	<u>(11,223)</u>	<u>(11,508)</u>
Profit before taxation		84,407	58,751
Taxation	8	<u>(26,378)</u>	<u>(21,541)</u>
Profit for the year		<u>58,029</u>	<u>37,210</u>
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		<u>10,726</u>	<u>9,548</u>
Other comprehensive income for the year, net of tax		<u>10,726</u>	<u>9,548</u>
Total comprehensive income for the year		<u>68,755</u>	<u>46,758</u>

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit attributable to:			
Owners of the Company		49,666	31,456
Non-controlling interests		8,363	5,754
		<u>58,029</u>	<u>37,210</u>
 Total comprehensive income attributable to:			
Owners of the Company		59,312	39,408
Non-controlling interests		9,443	7,350
		<u>68,755</u>	<u>46,758</u>
 Earnings per share attributable to the owners of the Company			
– basic	<i>9</i>	<u>HK4.20 cents</u>	<u>HK3.03 cents</u>
– diluted	<i>9</i>	<u>HK4.19 cents</u>	<u>HK3.01 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		37,809	31,438
Prepaid lease payments		32,986	32,551
Investment properties		7,611	6,045
Goodwill		788,418	788,068
		<u>866,824</u>	<u>858,102</u>
Current assets			
Inventories		110,553	110,204
Trade and other receivables and deposits	<i>11</i>	379,595	314,949
Amount due from a non-controlling shareholder		1,841	–
Held-to-maturity investment		123	–
Derivative financial instruments		161	432
Pledged bank deposits		22,847	13,809
Cash and bank balances		109,212	77,227
		<u>624,332</u>	<u>516,621</u>
Total assets		<u>1,491,156</u>	<u>1,374,723</u>
EQUITY			
Capital and reserves			
Share capital		11,824	591,219
Reserves		887,059	245,773
		<u>898,883</u>	<u>836,992</u>
Equity attributable to the owners of the Company		898,883	836,992
Non-controlling interests		41,161	39,706
		<u>940,044</u>	<u>876,698</u>
Total equity		940,044	876,698

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Trade and other payables	<i>12</i>	302,450	240,221
Bank borrowings		36,582	49,194
Amounts due to non-controlling shareholders		551	551
Tax payable		8,965	9,309
		<u>348,548</u>	<u>299,275</u>
Non-current liabilities			
Convertible note		4,282	3,969
Promissory note		197,735	194,183
Deferred taxation		547	598
		<u>202,564</u>	<u>198,750</u>
Total liabilities		<u>551,112</u>	<u>498,025</u>
Total equity and liabilities		<u>1,491,156</u>	<u>1,374,723</u>
Net current assets		<u>275,784</u>	<u>217,346</u>
Total assets less current liabilities		<u>1,142,608</u>	<u>1,075,448</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to the owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note (c))	Special reserve HK\$'000 (Note (a))	Translation reserve HK\$'000 (Note (d))	Share-based payment reserve HK\$'000 (Note (e))	Convertible note reserve HK\$'000 (Note (f))	Statutory reserve HK\$'000 (Note (b))	(Accumulated losses)/ retained profits HK\$'000	Sub total 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
Other comprehensive income for the year, net of tax:												
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	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 share 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 share	-	(6,855)	-	-	-	-	-	-	-	(6,855)	-	(6,855)
Share premium cancellation	-	(446,547)	-	-	-	-	-	-	446,547	-	-	-
At 31 March 2011 and 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
Other comprehensive income for the year, net of tax:												
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	9,646	-	-	-	-	9,646	1,080	10,726
Profit for the year	-	-	-	-	-	-	-	-	49,666	49,666	8,363	58,029
Total comprehensive income for the year	-	-	-	-	9,646	-	-	-	49,666	59,312	9,443	68,755
Release upon disposal of subsidiaries	-	-	-	-	(611)	-	-	-	-	(611)	(1,432)	(2,043)
Capital reorganisation	(579,395)	-	579,395	-	-	-	-	-	-	-	-	-
Issue of share options	-	-	-	-	-	3,190	-	-	-	3,190	-	3,190
Share options cancelled	-	-	-	-	-	(129)	-	-	129	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	10,307	(10,307)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,556)	(6,556)
At 31 March 2012	<u>11,824</u>	<u>190,250</u>	<u>579,395</u>	<u>(6,735)</u>	<u>24,146</u>	<u>14,862</u>	<u>2,537</u>	<u>17,465</u>	<u>65,139</u>	<u>898,883</u>	<u>41,161</u>	<u>940,044</u>

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.
- (c) The increase in capital reserve amounting to approximately HK\$579,395,000 of the Group as the result of capital reorganisation taken by the Company during the year ended 31 March 2012.
- (d) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.
- (e) The share-based payment reserve represents the fair value of services estimated to be received in exchange the grant of the relevant options over the relevant vesting periods, the total of which is based on the fair value of the options at grant date. The amount is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

The share-based payment reserve which is expired would be released directly to retained profits.

- (f) The convertible note reserve represents the equity components of the convertible note issued. Convertible note issued are split into their liability and equity components at initial recognition at the fair values of the convertible note, which is determined by independent qualified professional valuers.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

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 People’s Republic of China (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”).

HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirements
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010

The principal effects of adoption these new HKFRSs are as follows:

HKAS 24 (revised 2009) simplifies the definition of “related party” and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the group is related, or transactions with other entities related to the same government. These amendments have had no material impact on the Group’s consolidated financial statements.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

The adoption of these new HKFRSs had no material effect on the results and the financial position of the Group for the current or prior accounting period. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 1 (Amendments)	Government Loans ⁴
HKFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets ¹
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ⁵
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2015, 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 might 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 the fair value of the financial liability that is attributable to changes in the credit risk of that liability is 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. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, 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 2015 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 titled Disclosures – Transfers of Financial Assets increase 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 of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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.

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”).

Basis of preparation

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 has merged its organisation into two operating divisions: provision of general hospital services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business. The chief operating decision maker has decided to combine the provision of general hospital service and the provision of healthcare and hospital management services into one single operation division in order to manage and review the performance of the hospital related business more efficiently. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

2012

	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	134,504	1,701,272	–	1,835,776
Inter-segment sales	–	10,875	(10,875)	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	<u>134,504</u>	<u>1,712,147</u>	<u>(10,875)</u>	<u>1,835,776</u>
Inter-segment sales are charged at arm's length				
Results				
Segment results	<u>21,463</u>	<u>86,994</u>	–	108,457
Unallocated other revenue				69
Unallocated other income				–
Gain on disposal of a subsidiary				611
Unallocated corporate expenses				<u>(13,507)</u>
Profit from operations				95,630
Finance costs				<u>(11,223)</u>
Profit before taxation				84,407
Taxation				<u>(26,378)</u>
Profit for the year				<u><u>58,029</u></u>

Segment assets and liabilities

2012

	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated statement of financial position			
Assets			
Segment assets	174,651	1,290,279	1,464,930
Unallocated corporate assets			26,226
Consolidated total assets			<u>1,491,156</u>
Liabilities			
Segment liabilities	22,880	321,178	344,058
Promissory note			197,735
Convertible note			4,282
Deferred taxation			551
Unallocated corporate liabilities			4,486
Consolidated total liabilities			<u>551,112</u>

Other segment information

	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information				
Capital expenditure	11,255	4,461	11	15,727
Depreciation	5,504	4,022	437	9,963
Amortisation of prepaid lease payments	1,030	179	–	1,209
Loss on disposal of property, plant and equipment	27	217	–	244
Provision for impairment loss of trade and other receivables	44	878	5	927

	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	115,429	1,348,282	–	1,463,711
Inter-segment sales	–	9,397	(9,397)	–
	<u>115,429</u>	<u>1,357,679</u>	<u>(9,397)</u>	<u>1,463,711</u>
Total turnover	<u>115,429</u>	<u>1,357,679</u>	<u>(9,397)</u>	<u>1,463,711</u>
Inter-segment sales are charged at arm's length				
Results				
Segment results	<u>14,362</u>	<u>76,812</u>	–	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				<u>955</u>
Profit from operations				70,259
Finance costs				<u>(11,508)</u>
Profit before taxation				58,751
Taxation				<u>(21,541)</u>
Profit for the year				<u><u>37,210</u></u>

Segment assets and liabilities

2011

	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>		Consolidated <i>HK\$'000</i>
Assets				
Segment assets	159,793	1,203,473		1,363,266
Unallocated corporate assets				<u>11,457</u>
Consolidated total assets				<u><u>1,374,723</u></u>
Liabilities				
Segment liabilities	21,760	272,857		294,617
Promissory note				194,183
Convertible note				3,969
Deferred taxation				598
Unallocated corporate liabilities				<u>4,658</u>
Consolidated total liabilities				<u><u>498,025</u></u>
Other information				
	Provision of general hospital services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	1,540	2,848	–	4,388
Depreciation	7,217	3,501	470	11,188
Amortisation of prepaid lease payments	982	161	–	1,143
(Gain)/loss on disposal of property, plant and equipment	(34)	191	–	157
Provision for impairment loss of trade and other receivables	<u>385</u>	<u>1,497</u>	<u>–</u>	<u><u>1,882</u></u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit/(loss) generated by each segment without allocation of finance costs, loss on early redemption of promissory note, gain/(loss) on disposal of subsidiaries and taxation. Unallocated corporate expenses mainly include share-based payment expenses, director's remuneration and other central administration costs. This is the measure reported to the chief operating decision maker for the purpose 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 unallocated corporate assets. Unallocated corporate assets mainly include part of property, plant and equipment, cash and bank balances of the central administration companies. Goodwill is allocated to reportable segments.
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, promissory note, convertible note and deferred taxation. Unallocated corporate liabilities mainly include the accruals and other payables of the central administration companies.

Geographical information

The Group's operations are mainly located in the PRC. All of the Group's turnover is derived from customers based in the PRC.

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

	Carrying amount of non-current assets*	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	836	1,262
PRC	865,988	856,840
	866,824	858,102

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

Information about major customers

For the year ended 31 March 2012 and 2011, 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 services and healthcare and hospital management services. An analysis of the Group's turnover and other revenue is as follows:–

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:		
Retail of pharmaceutical and related products	187,002	157,409
Wholesale and distribution of Pharmaceutical products and related services	1,514,270	1,190,873
Provision of general hospital services	134,504	115,429
	<u>1,835,776</u>	<u>1,463,711</u>
Other revenue:		
Bank interest income	1,107	1,762
Loan interest income	2,061	1,778
Rental income	382	314
Compensation income	–	5,291
Exhibition income	2,358	–
Sundry income	2,781	1,466
	<u>8,689</u>	<u>10,611</u>

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Directors' remuneration	2,962	2,700
Share-based payment expenses	3,190	5,981
Other staff's retirement benefits scheme contributions	7,947	6,359
Other staff costs	<u>65,251</u>	<u>46,944</u>
	<u>79,350</u>	<u>61,984</u>
Auditors' remuneration	900	900
Provision for impairment losses of trade and other receivables	927	1,882
Cost of inventories sold	1,569,538	1,233,664
Amortisation of prepaid lease payments	1,209	1,143
Depreciation of property, plant and equipment		
– owned by the Group	9,963	11,188
Loss on disposal of property, plant and equipment	244	157
Operating lease rentals in respect of land and buildings	18,068	14,592
Loss on early redemption of promissory note	<u>–</u>	<u>9,681</u>
and after crediting:		
Other income:		
Exchange gain	23	–
Change in fair value of investment properties	1,335	231
Change in fair value of derivative financial instruments	–	336
Reversal of impairment losses of trade and other receivables	<u>2,308</u>	<u>166</u>
	<u>3,666</u>	<u>733</u>

7. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on:		
– interest expenses on bank borrowings wholly repayable within five years	4,928	4,387
– interest expenses on convertible note	443	417
– interest expenses on promissory note	<u>5,852</u>	<u>6,704</u>
	<u>11,223</u>	<u>11,508</u>

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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current taxation:		
Provision for the year		
– The PRC	23,742	21,259
Under provision in prior year:		
– The PRC	–	320
Withholding tax paid	2,688	–
Deferred tax recognised during the year	(52)	(38)
	<u>26,378</u>	<u>21,541</u>

9. EARNINGS PER SHARE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Earnings		
Profit for the purpose of basic and diluted earnings per share		
– Profit for the year attributable to the owners of the Company	<u>49,666</u>	<u>31,456</u>
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share		
– Ordinary shares in issue	741,476,621	478,393,046
– Preference shares in issue	<u>440,961,644</u>	<u>560,865,623</u>
	1,182,438,265	1,039,258,669
Effect of dilutive potential ordinary shares:		
– Share options issued by the Company	<u>4,014,873</u>	<u>5,885,568</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,186,453,138</u>	<u>1,045,144,237</u>

For the year ended 31 March 2012 and 2011, the calculation of diluted earnings per share did not assumed the exercise of the Convertible Note existed at 31 March 2012 and 2011 as the exercise of the Convertible Note would increase earnings 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 2012 (2011: Nil).

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	249,101	205,698
Bill receivables	3,206	–
Prepayments and deposit paid	60,351	43,030
Prepaid lease payments	1,223	1,171
Other receivables	<u>71,983</u>	<u>71,011</u>
	385,864	320,910
<i>Less: Impairment loss in respect of other receivables</i>	<u>(6,269)</u>	<u>(5,961)</u>
	<u>379,595</u>	<u>314,949</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 to 90 days	215,558	188,459
91 to 180 days	24,729	11,433
181 to 365 days	8,382	5,750
Over 365 days	<u>1,807</u>	<u>3,938</u>
	250,476	209,580
<i>Less: Allowance for doubtful debts</i>	<u>(1,375)</u>	<u>(3,882)</u>
	<u>249,101</u>	<u>205,698</u>

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	221,719	184,101
Bill payables	45,693	26,486
Trade deposit received	3,823	–
Accruals and other payables	31,215	29,634
	<u>302,450</u>	<u>240,221</u>

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

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	153,372	146,183
91 to 180 days	40,623	21,468
181 to 365 days	18,602	7,224
Over 365 days	9,122	9,226
	<u>221,719</u>	<u>184,101</u>

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

BUSINESS REVIEW

The Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

The results of the Group for the year ended 31 March 2012 have shown improvement in turnover compared with the previous year. Total turnover of the Group for the year was approximately HK\$1,835.776 million (2011: approximately HK\$1,463.711 million). The turnover derived from the provision of general hospitals and pharmaceutical wholesales, distribution and pharmaceutical retail chain business soared 16.53% and 26.18% to approximately HK\$134.504 million and HK\$1,701.272 million as compared to 2011 respectively. Gross profit of the Group maintained healthy growth which reached to approximately HK\$235.213 million during the year. (2011: approximately HK\$189.590 million).

Net profit attributable to owners of the Company for the year ended 31 March 2012 was approximately HK\$49.666 million (2011: approximately HK\$31.456 million). The net profit was mainly attributable to the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

Selling and distribution expenses for the year ended 31 March 2012 were approximately HK\$78.500 million (2011: approximately HK\$60.498 million). This increase was related to the marketing and promotional expenses incurred in the PRC.

Administrative expenses for the year ended 31 March 2012 amounted to approximately HK\$74.049 million (2011: approximately HK\$61.451 million). The increases were mainly due to the increase in numbers of staff and related staff costs for the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

BUSINESS REVIEW AND OUTLOOK

General hospital services

As at 31 March 2012, the Group operates two general hospitals in Chongqing and Jiaying and manages one general hospital in Zhuhai city, 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 resources to develop those services either from our existing hospitals or through collaboration. The total turnover contributed by these general hospitals for the year ended 31 March 2012 was approximately HK\$134.504 million (2011: approximately HK\$115.429 million).

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The Group engages in the wholesale, 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 has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within Fujian Province, as ranked by the independent associations in the PRC. The Group continues to allocate resources and to look for business opportunities to expand the pharmaceutical wholesale, distribution and retail chain businesses. The turnover contributed by the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses for the year ended 31 March 2012 was approximately HK\$1,701.272 million (2011: approximately HK\$1,348.282 million).

Future Prospects

The management of the Group continues to adapt to the changing business environments through effective and efficient measures and relies on its innovative two core businesses model (i.e. general hospital operations and pharmaceutical products businesses) for growth potential. The Group will actively look for further development opportunities made available by the continued healthcare reform and the second year of the 12th Five Year Plan. The management is optimistic towards the fast expanded market of healthcare supported by the continued favourable policy and business environments of the central and local governments in PRC.

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 our solid development of hospital management systems and well-trained professionals. At the same time, further segmented service models and medical specialties will help us build brand names and gain more market shares while we should see further cost efficiency in our hospitals to maximize profitability while we continue to look for growth opportunities. The management considers the market for hemodialysis is fast growing and high value for our hospital services. As part of expansion strategies in the delivery of special medical services, the Group has decided to explore the potential growth of hemodialysis services through cooperation. This new segmented market is believed to fit the growth directions and to have a promising future.

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\$109.212 million as at 31 March 2012 (2011: approximately HK\$77.227 million).

The Group recorded total current assets of approximately HK\$624.332 million as at 31 March 2012 (2011: approximately HK\$516.621 million) and total current liabilities of approximately HK\$348.548 million as at 31 March 2012 (2011: approximately HK\$299.275 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.791 as at 31 March 2012 (2011: approximately 1.726).

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'S ASSETS

As at 31 March 2012, the Group had bank-borrowing outstanding balances of approximately HK\$36.582 million. The Group's pledged bank deposits of approximately HK\$22.847 million were used to secure banking facilities granted to the Group.

SEGMENT INFORMATION

During the year, in order to manage and review the performance of the hospital related business more efficiently, operating divisions for the provision of general hospital services and the provision of healthcare and hospital management services was combined into one single operation. The revenue of the Group was principally generated from: (1) provision of general hospital services and (2) pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses. Financial information in respect of these operations is presented in Note 4 to the financial statements.

CAPITAL STRUCTURE

As at 31 March 2012, the total issued share capital of the Company was approximately HK\$11.824 million (2011: approximately HK\$591.219 million) divided into 910,938,264 ordinary shares and 271,500,000 non-voting convertible preference shares (2011: 672,438,264 ordinary shares and 510,000,000 non-voting convertible preference shares) of HK\$0.01 (2011: HK\$0.50) each.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 1 April 2011, Fujian Province Fuzhou City Huihao Pharmaceutical Company Limited, an indirectly wholly owned subsidiary of the Company entered into an agreement with independent third parties to acquire 100% of the entire issued share capital of 惠好(泉州)醫藥有限公司 and identifiable asset and liabilities, for a total consideration of RMB1,860,000 (equivalent to approximately HK\$2,206,000). The purpose for the acquisition is to continue expansion of the Group's pharmaceutical wholesale, distribution and pharmaceutical retail chain business.

On 12 March 2012, Beiyi Renzhi (Beijing) Investment Consultancy Limited (the "Beiyi Renzhi"), an indirectly wholly owned subsidiary of the Company was deregistered. Beiyi Renzhi is engaged in provision of healthcare and hospital management services.

CONTINGENT LIABILITIES

As at 31 March 2012, 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.

CAPITAL COMMITMENTS

As at 31 March 2012 and 31 March 2011, the Group had no material capital commitment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Group had 1,626 (2011: 1,648) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	15
PRC (including cities of Chongqing, Jiaying, Zhuhai and the Fujian Province)	1,611

For the year ended 31 March 2012, staff costs (including directors emoluments) amounted to approximately HK\$79.350 million (2011: approximately HK\$61.984 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 2012, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

SUBSEQUENT EVENTS

On 4 June 2012, Hua Xia Renal Diagnosis Healthcare Investments Limited (the "Hua Xia Renal"), a wholly owned subsidiary of the Company has entered into a joint venture agreement with Taiwan Renal Care Limited (the "Taiwan Renal") and Mr. Chen Hong Ling to establish the a joint venture company (the "Joint Venture Company") which will be owned as to 60% by Hua Xia Renal and as to 40% be Taiwan Renal. The Joint Venture Company will be a vehicle for investment in joint venture projects with potential PRC partner(s) in relation to development and operation of renal dialysis centres and provision of related service in the PRC.

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 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 2012 except the roles of chairman and chief executive officer are not separated.

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.

AUDIT COMMITTEE REVIEW

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2012 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors 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 Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the Financial year.

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

Hong Kong, 15 June 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.